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June 3, 2014

Legislative Finance Committee

Dear Committee members,

The Montana League of Cities and Towns suggested we write to you and explain some of the problems we are experiencing with regard to oil impacts within this area. The following are by no means the only issues we face as new problems seem to arise daily.

Infrastructure – With growth we have a need for expanded infrastructure. We are currently in the midst of contracting for a Wastewater Treatment Plant which has been sized to accommodate anticipated growth. The total estimated price of this plant was around \$9,000,000 less than a year and a half ago. Current costs are closer to \$18,000,000. When asked about the increase in cost one of the most prevalent reasons was the cost of labor in this area. We were told that although this is a prevailing wage job many of the subcontractors bid the job at one and one half times that rate to ensure being able to acquire the required labor force.

The City has just received a PER for expansion of its water plant. Currently the City can produce 3.5 million gallons per day which meets our current needs. However, with anticipated growth this amount of water will no longer meet the needs of our community. The bottleneck to expansion at the water plant is the clarifiers within the current system. Replacing the current clarifier can double the City's capacity. The PER estimates costs of replacement of the clarifier, with dual clarifiers for redundancy, at around \$9,000,000.

These are two examples of major infrastructure projects needed for anticipated growth. With regard to the Wastewater Treatment Facility the City has been increasing rates over the last few years and will be increasing rates again in June of 2014 to finance the project. The City received a \$750,000 TSEP grant for the project because it was over 150% of the Target Rate. The 150% target rate analysis was completed when the project was estimated at \$9,000,000. With a current estimated cost of \$18,000,000 along with an estimated \$9,000,000 water project rates will be significantly over the target rate.

Emergency Services – The City of Glendive operates the Emergency Dispatch Services for the City and County. In 2009 the Dispatch Center received 8,731 calls whereas in 2013 the Dispatch Center received 12,342 calls for a 41% increase over 2009. The City's ambulance service has increased its response volume by approximately 10% in recent years. The ambulance service has been asked to increase

Education and Local Government Meeting
June 17, 2014

Exhibit 4

ground transports to Billings due to costs associated with air ambulance and the difficulty in obtaining air ambulance services due to oil activity in the area.

Labor – The City of Glendive has experienced major problems retaining its employees. Over the years the City has been able to keep a constant workforce with very little turnover. However, in recent years this has not been the case. The City now has open positions constantly and cannot compete with the wages paid in the private sector. As examples, in recent years the City has lost over one third of its administrative team, has had a mechanic position open for over 9 months, is continually trying to fill Public Works, Dispatch, and Police positions and cannot find summer help due to the competition with the private sector. Labor issues have been and continue to be major problems for the City.

Planning and Land Use – With growth there has been a need for planning services. The City does not have a planner and contract planning is difficult to obtain and expensive. The Department of Commerce has helped with information concerning subdivision regulations and annexation policies however the need for a planner remains and the City simply does not have the funding to hire this position.

Financing growth – It is very difficult to finance such growth. Utility rates will be substantially over the target rate to fund just the water and wastewater projects noted above. For decades the City's taxable value declined year after year. Only in the last few years has the City's taxable value started to increase. This increase however does not cover the increased costs being incurred. As an example, last fiscal year increases in taxable values brought in just under \$50,000 in additional tax revenues. However, a small wage increase along with increases in PERS and insurance contributions amounted to around \$100,000. Thus the increases in taxable value, although helpful, did not even start to resolve our issues.

Over the last two years or so there have been three large motels constructed in Glendive with two more slated for construction this summer. These have resulted in an estimated 400 additional rooms. The people staying at these motels all require City services but pay nothing to the City for such services. Additionally, although Dawson County has relatively little oil production, Glendive sits between two of the larger oil producing Counties in Montana as well as being right next to the production in North Dakota. This geographic location results in a substantial transient population using City services, including law enforcement, but not contributing toward these services. As such City budgets get tighter and tighter. Last fiscal year the City tried to budget for an additional police officer to help with increased calls but simply could not afford to do so.

I have only touched on some of the current impacts we are facing. I would be more than happy to answer any questions you might have. I can be reached at 406-377-3318(11)

Sincerely,



Jerry Jimison, Mayor